CITY OF LAFAYETTE

ANNUAL FINANCIAL STATEMENT REPORT

YEAR ENDED JUNE 30, 2008

(With Auditors' Report Thereon)

Cropper Accountancy Corporation
Certified Public Accountants

CITY OF LAFAYETTE

CITY OFFICIALS AS OF JUNE 30, 2008

MAYOR

Mike Anderson

Term Expires November 2008

CITY COUNCIL

Don Tatzin, Vice Mayor
Term Expires November 2010

Carol Federighi
Term Expires November 2008

Carl Anduri
Term Expires November 2008

Brandt Anderson
Term Expires November 2010

CITY MANAGER

Steven B. Falk – 18 years of service

ADMINISTRATIVE SERVICES DIRECTOR

Tracy Robinson – 8 years of service

FINANCIAL SERVICE MANAGER

Gonzalo L. Silva – 18 years of service

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Management's Discussion and Analysis

INTRODUCTION

As management of the City of Lafayette (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2008

The management discussion and analysis is designed to

(a) assist the reader in focusing on significant financial issues,
(b) provide an overview of the City's financial activity and any changes in financial position,
(c) explain any material deviations from the financial plan (approved budget),
(d) and discuss the City's ability to address future challenges.

FINANCIAL HIGHLIGHTS

- The City's net assets increased by $1,988,643. The governmental net assets increased by $1,975,727 and the business-type net assets (e.g. Parks & Recreation) increased by $12,916.

- The City's governmental funds reported combined ending fund balances of $84,086,131, of which $18,462,545 is unrestricted.

- The unreserved fund balance for the General Fund was $9,054,144 an increase of $196,500 compared with the prior year.

- The City's total debt decreased by $435,000 during the current fiscal year. The total debt balance at year-end was $26,160,000.

- The following is the year over year comparison of revenues and expenses:

	2006	2007	2008	Change
Revenues				
Property Tax	5,823,685	7,297,461	7,300,248	0.04%
Sales Tax	2,886,865	3,014,825	3,047,116	1.07%
Franchise Fees	981,538	1,093,899	1,140,008	4.22%
Motor Vehicle Fee	2,229,873	1,879,161	1,949,901	3.76%
Transient Occupancy	581,080	628,571	615,415	-2.09%
Investment Income	1,119,668	1,656,880	1,888,359	13.97%
Vehicle Fines	395,683	296,768	284,161	-4.25%
Grants Federal/State	18,631,379	667,145	680,107	1.94%
Fees for Service	1,235,462	1,628,418	1,377,796	-15.39%
Parking Fees	138,715	146,410	199,507	36.27%
Gas Tax	452,469	451,046	442,236	-1.95%
Transfer Tax	279,879	284,441	215,548	-24.22%
Other	292,885	729,239	863,279	18.38%
Recreation Programs	1,134,841	1,102,279	1,033,317	-6.26%
TOTAL	**36,184,022**	**20,876,543**	**21,036,998**	0.77%
Expenses				
Council & Commissions	1,012,155	974,170	1,840,706	88.95%
Police	3,195,198	3,424,615	3,635,692	6.16%
Public Works / Infrastructure	4,764,981	5,755,309	5,338,412	-7.24%
Planning & Engineering	1,405,650	1,385,661	1,630,903	17.70%
Administration/Redev	2,514,499	3,183,659	3,524,051	10.69%
Debt Service	1,113,408	1,287,148	1,774,358	37.85%
Vet's Building	7,610,441	-	-	0.00%
Other	471,428	327,034	303,832	-7.09%
Recreation Programs	1,051,031	1,022,612	1,000,401	-2.17%
TOTAL	**23,138,791**	**17,360,208**	**19,048,355**	9.72%
Excess of Revenue over Expenses	$ 13,045,231	$ 3,516,335	$ 1,988,643	-43.45%

THE CITY AS A WHOLE

One of the most important questions often asked about the City's finances is, "Is the City better or worse off as a result of the year's activities?" The *Statement of Net Assets* and the *Statement of Activities* report information about the City as a whole in a way that helps answer this question.

Looking at the City's net assets—the difference between assets and liabilities—is one way to measure the City's financial health. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors, such as changes in the City's property tax base and the condition of the City's roads must also be considered.

In the *Statement of Net Assets* and the *Statement of Activities*, we divide the City into two kinds of activities:

- Governmental activities—Most of the City's basic services are reported here, including police, general administration, public works, planning and community development. Sales taxes, property taxes, vehicle license fees, franchise fees, and vehicular fines finance most of these activities.

- Business-type activities—For certain programs, the City charges fees to help cover most or all of the cost of certain services it provides. Only the City's Park and Recreation program is reported here.

STATEMENT OF NET ASSETS

Year Ended June 30, 2008	Governmental Activities	Business Activities	Total
Beginning Net Assets	$82,021,851	75,637	$82,097,488
Increase/Decrease	1,975,727	12,916	1,988,643
Ending Net Assets	**$83,997,578**	**$88,553**	**$84,086,131**

As noted earlier, net assets may serve over time as a useful indicator of a City's financial position. The detailed *Statement of Net Assets* on page 2 of the financial report shows two significant things pointing to the overall health of the City:

1. The City's net assets increased by 2.42 % from prior year
2. Assets exceeded liabilities by $84,086,131 at year-end

62% of the City's net assets ($51,772,176) are invested in capital assets (i.e., land, buildings, utility plants, machinery and equipment) and are reported net of related debt. However, since capital assets are used to provide services to citizens, they cannot be used to liquidate liabilities. It should therefore be noted that the money needed to repay debt must be provided from other sources. It should also be noted, however, that these financials do not take into account the significant deferred maintenance obligations the City has with regard to residential roads which is discussed more thoroughly in the Strengths & Weaknesses section of this report.

STATEMENT OF ACTIVITIES

Governmental Activities

The *Statement of Activities* can be found on page 3 of the financial statement report. In this table, you will notice that expenses are listed in combination with the revenue for each particular program. This format shows how much of each program is funded through fees and/or grants and highlights the relative financial burden of each program for the City's taxpayers. This year, the City received $17,945,778 in general revenue and incurred net expenses of $15,957,135.

Business-Type Activities

The City reports only one program, Parks & Recreation, as a business-type activity since Recreation programs are expected to be fully self-supporting through fees, donations, gifts and grants. This year, with expenditures and transfers of $1,025,401 and revenue and transfers of $1,038,317 the program showed a gain of $12,916. Therefore, the City's net assets increased by an equal amount. This is the fourth year that this enterprise fund has shown a profit in the last five years.

SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant funds. Some funds are required to be established by State law and by bond covenants. However, the City Council may establish other funds to help control and manage money for particular purposes (e.g. Capital Project Funds) or to meet the legal responsibilities for using certain taxes and federal or state grants.

- Governmental funds—The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information helps determine what financial resources are available in the near future to finance the City's programs. The relationship between governmental activities (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental funds is reconciled at the bottom of the fund financial statements.

- Proprietary funds—These funds make up the business-type activities reported in the *Statement of Net Assets* and the *Statement of Activities* but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS

Governmental Funds

In analyzing the City's governmental funds, the unreserved fund balances serve as a useful measure of the available resources.

As of the fiscal year ended June 30, 2008, the City's governmental funds reported combined ending fund balances of $33,187,196 a decrease of $11,352,579 in comparison to the prior year. This was due primarily to drawing down funds to construct the Lafayette Library & Learning Center.

Approximately 73% of these funds are considered reserved, which means that they have already been committed to specific programs. The remaining funds are undesignated, which means that they are available for spending at the council's discretion.

Capital Assets

The City's investment in capital assets as of June 30, 2008 totaled $77,573,616, net of accumulated depreciation of $50,823,330, which represents an increase of $3,009,772 over the prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads and bridges. The fixed assets summary can be found on page 27 of the financial statement.

Major capital asset additions during the current fiscal year include:

- Mt Diablo Blvd-1st to Dolores
- Emergency Creek Stabilization
- 2007 Pavement Management Resurfacing
- 2006 Pavement Management Project Carol Lane
- Estates Drive/Canyon Road

Long Term Debt

At the end of the current fiscal year, the City had $26,579,422 in long-term debt, which includes $16,935,000 in Redevelopment bonds, $9,225,000 in General Obligation bonds and $419,422 in accrued vacations and leave.

STRENGTHS & RISKS

General Fund

The general fund is the primary operating fund of the City. At June 30, 2008, the undesignated fund balance was $9,054,144, an increase of $196,500 over the prior year. The City's policy is to maintain a cash reserve of 50% of general fund expenditures. The year-end general fund balance represents almost 100 % of general fund expenditures, suggesting that the City is in a very strong position and could cover an entire year of expenses without revenue.

Expenses

As a limited service City, Lafayette strives to keep its operating expenses relatively low and permanent employees at a minimum. The major expenses for the City are Police Services -- which are contracted through the County and account for more than 1/3 of the General Fund Expenses -- and Capital Improvements.

Over the last 10 years, the City has significantly improved the condition of most of the City's major thoroughfares and arterials. In order to maintain this investment, the City's General Fund contributes approximately $1 million each year to the Pavement Management Program (PMP). However, the Capital Improvement Program for roads and drains still has a backlog of $14-$18 million that should be completed over the next 8 years. Without an additional source of revenue, many of the City's residential streets will not be repaired if not maintained. Furthermore, those streets that are currently in good condition may deteriorate. The Council placed measures on the November 2004 and June 2007 ballots

asking the residents to approve the sale of bonds. Neither measure, however, received the necessary 2/3 approval.

Another potential risk is Core Area Maintenance. The City has spent a significant amount of money over the last several years improving the downtown area by replacing streetlights and installing medians and landscaping. Although the current Core Area Assessment District pays for a portion of these expenses, there has been a large deficit in this fund for each of the last five years and this deficit will increase over time as expenses multiply while revenue remains flat. A measure to increase the assessment was defeated by property owners.

Revenue

Property Tax and Assessments are the largest revenue source for the City. Incorporated in 1968, the City did not levy a property tax prior to 1978 when Proposition 13 was adopted. Consequently, it receives a relatively low share of the property tax under the statutory formula. Under legislation adopted in 1988, some relief has been granted to cities in similar circumstances. Property tax collections, however, continue to be less than other cities collect. Currently the City receives approximately 6.18% of the property taxes paid by its residents, compared to an average of 9.08% for other cities in Contra Costa.

Despite the comparatively low share received by the City the property tax base remains stable, although most recent data shows that the median value of homes sold has declined about 15% nationwide as of 06/30/08. Assessed values in the City increased 7.46 % from $4,713,484,211 in fiscal year 2006/2007 to $5,063,964,876 in fiscal year 2007/2008 although the City's tax revenue increased only slightly from $7,297,461 to $7,300,248 which was due primarily to the slowdown in real estate sales as well as construction and development.

Sales Tax is the second largest revenue source for the City. Sales tax revenue increased by 1% during the year, from $3,014,825 to $3,047,116. Again, this is due primarily to the slowing economy. While it is expected that while sales tax revenue is likely to decrease in the near future, the impact will be somewhat mitigated by the fact that Lafayette does not have "big box stores" or auto dealerships that provide a large portion of the sales tax revenue and are more likely to suffer larger falloffs.

Vehicle License Fees (VLF) are the third largest source of revenue for the City. The State imposes an annual vehicle license fee (VLF) on the ownership of each registered vehicle in California, in place of taxing vehicles as personal property. The City received $1,949,901 in 2007/2008 compared to $1,879,161 in 2006/2007,ann increase of $70,740 in VLF revenues.

Other opportunities for increasing revenue are limited. While the City may increase its fees for service to more closely match the expenses, any additional taxes – such as a sales tax, utility tax, bond tax, or parcel tax -- must be passed by a 2/3 vote of the citizens, which has proven difficult not only for Lafayette but for all California cities.

Lafayette Finance Review Committee

In April 2008 the Council appointed a committee of residents to thoroughly review the City's finances and recommend opportunities for revenue enhancement and cost reduction. The results of that committee will be presented to the Council on December 8, 2008.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or request for addition financial information should be directed to:

City of Lafayette
Finance Department
3675 Mt Diablo Blvd
Lafayette, Ca 94549

Cropper Accountancy Corporation
Certified Public Accountants

2977 Ygnacio Valley Road, #460
Walnut Creek, California 94598
Tel: (925) 932-3860
Fax: (925) 932-3862

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor,
City Council and City Manager
City of Lafayette, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lafayette, California as of and for the year June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Lafayette's management. Our responsibility is to express an opinion on these financial statements based on our audit and the standards applicable to financial audits contained in "Governmental Auditing Standards", issued by the Controller General of the United States of America.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Lafayette, California as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying Management's Discussion and Analysis and budgetary comparison information on pages i-vii and page 36 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, consisting principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lafayette's basic financial statements. The combining fund financial statements of the Redevelopment Agency are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund financial statements of the Redevelopment Agency other funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California
October 10, 2008

BASIC FINANCIAL STATEMENTS

CITY OF LAFAYETTE
Statement of Net Assets
June 30, 2008

	Primary Government		
ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents (Note 3A)	$ 24,056,866	$ 314,065	$ 24,370,931
Investment in bonds (Note 3A)	8,740,758	-	8,740,758
Accounts receivable (Note 3C)	7,896,446	1,443	7,897,889
Notes receivable	458,525	-	458,525
Accrued interest receivable	241,931	361	242,292
Prepaid assets	358,560	13,953	372,513
Other assets	18,506	-	18,506
	41,771,592	329,822	42,101,414
Restricted Assets-debt service and low-moderate income housing:			
Cash and cash equivalents (Note 3A)	5,190,527	-	5,190,527
Accrued interest (Note 3B)	15,143	-	15,143
Eden loan receivable (Note 3B)	202,405	-	202,405
	5,408,075	-	5,408,075
Capital Assets, net of accumulated depreciation			
Land, easements and right of way	9,991,094	-	9,991,094
Land improvements	3,977,022	-	3,977,022
Buildings and improvements	787,515	-	787,515
Infrastructure	45,479,011	-	45,479,011
Equipment and Furniture	336,601	-	336,601
Construction in progress	17,002,373	-	17,002,373
Total Capital Assets, net (Note 3D)	77,573,616	-	77,573,616
Total assets	$ 124,753,283	$ 329,822	$ 125,083,105
LIABILITIES			
Accounts payable and accrued liabilities	$ 2,999,827	$ 5,615	$ 3,005,442
Library loan agreement (Note 3E)	9,068,547	-	9,068,547
Accrued interest payable	542,372	-	542,372
Refundable deposits	1,549,342	13,045	1,562,387
Deferred revenue	16,195	222,609	238,804
Bonds payable-current (Note 3F)	530,000	-	530,000
Total current liabilities	14,706,283	241,269	14,947,552
Noncurrent Liabilities:			
Accrued compensated absences	419,422	-	419,422
Bonds payable (Note 3F)	25,630,000	-	25,630,000
Total noncurrent liabilities	26,049,422	-	26,049,422
Total liabilities	40,755,705	241,269	40,996,974
NET ASSETS			
Invested in capital assets, net of related debt	51,772,176	-	51,772,176
Restricted for:			
Debt service	2,431,902	-	2,431,902
Low/moderate income housing	2,910,383	-	2,910,383
Redevelopment	2,121,215	-	2,121,215
Other	6,387,910	-	6,387,910
Unrestricted	18,373,992	88,553	18,462,545
Total net assets	83,997,578	88,553	84,086,131
Total liabilities and net assets	$ 124,753,283	$ 329,822	$ 125,083,105

The notes to the financial statements are an integral part of this statement

CITY OF LAFAYETTE
Statement of Activities
For the Year Ended June 30, 2008

Statement 2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Assets: Governmental Activities	Net Revenue (Expense) and Changes in Net Assets: Business-Type Activities	Net Revenue (Expense) and Changes in Net Assets: Total
Primary Government							
Governmental Activities:							
City council, commissions & community support	$ 1,840,706	$ -	$ -	$ -	$ (1,840,706)	$ -	$ (1,840,706)
Administration	3,524,051	-	-	-	(3,524,051)	-	(3,524,051)
Police services	3,635,692	50,269	100,000	-	(3,485,423)	-	(3,485,423)
Public works	2,470,211	-	100,000	480,107	(1,890,104)	-	(1,890,104)
Infrastructure - depreciation	2,868,201	-	-	-	(2,868,201)	-	(2,868,201)
Planning & engineering	1,630,903	1,327,527	-	-	(303,376)	-	(303,376)
Interest & debt charges	1,774,358	-	-	-	(1,774,358)	-	(1,774,358)
Other	303,832	-	-	-	(303,832)	-	(303,832)
Total governmental activities	$ 18,047,954	1,377,796	200,000	480,107	(15,990,051)	-	(15,990,051)
Business Type Activities:							
Recreation programs	1,000,401	1,033,317	-	-	-	32,916	32,916
Total primary government	$ 19,048,355	$ 2,411,113	$ 200,000	$ 480,107	$ (15,990,051)	$ 32,916	$ (15,957,135)
General revenues:							
Property tax and Assessments					7,300,248	-	7,300,248
Sales taxes					3,047,116	-	3,047,116
Franchise taxes					1,140,008	-	1,140,008
Transient occupancy tax					615,415	-	615,415
Vehicle code fines					284,161	-	284,161
Motor vehicle in lieu tax					1,949,901	-	1,949,901
Gas Tax					442,236	-	442,236
Transfer tax					215,548	-	215,548
Parking revenues					199,507	-	199,507
Investment income					1,888,359	-	1,888,359
Other					863,279	-	863,279
					17,945,778	-	17,945,778
Transfers from Enterprise Fund, net					20,000	(20,000)	-
					17,965,778	(20,000)	17,945,778
Change in net assets					1,975,727	12,916	1,988,643
Net assets at beginning of year					82,021,851	75,637	82,097,488
Net assets at end of year					$ 83,997,578	$ 88,553	$ 84,086,131

The notes to the financial statements are an integral part of this statement

CITY OF LAFAYETTE
Balance Sheet-Governmental Funds
June 30, 2008

ASSETS	General Fund	Capital Project Funds	Redevelopment Fund	Debt Service Funds
Cash and cash equivalents	$ 7,157,443	$ 4,365,954	$ 8,954,020	$ -
Investments (Note 3A)	5,546,508	-	3,194,250	-
Accounts receivable (Note 3C)	757,874	710,954	5,921,641	-
Notes Receivable	-	458,525	-	-
Accrued interest receivable	136,958	28,423	62,183	-
Due from other funds	4,679,171	-	-	-
Other assets	17,268	-	1,238	-
Restricted Assets:				
Cash deposits and investments (Note 3A)	-	-	4,032,489	1,158,038
Accrued interest receivable (Note 3B)	-	-	15,023	120
Eden loan receivable (Note 3B)	-	-	202,405	
Total assets	$ 18,295,222	$ 5,563,856	$ 22,383,249	$ 1,158,158
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable and accrued expenses	$ 1,096,740	$ 306,893	$ 1,399,028	$ -
Claims payable	14,566	-	-	-
Loan payable	-	-	9,068,547	-
Refundable deposits	1,549,030	312	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	5,264,512	-
Total liabilities	2,660,336	307,205	15,732,087	-
Fund Balance				
Invested in capital assets				
Restricted for:				
Debt service	-	-	1,273,744	1,158,158
Low/moderate income housing	-	-	2,910,383	-
Redevelopment	-	-	2,467,035	-
Capital projects	-	2,517,020	-	-
Special Purpose sources	-	-	-	-
Designated for:				
Capital projects	-	2,739,631	-	-
Special purpose	-	-	-	-
General traffic control	1,177,621		-	
Insurance	250,000	-	-	-
Vehicles	168,950	-	-	-
Redevelopment loan	4,679,171	-	-	-
Other	305,000	-	-	-
Undesignated	9,054,144	-	-	-
Total fund balance	15,634,886	5,256,651	6,651,162	1,158,158
Total liabilities and fund balance	$ 18,295,222	$ 5,563,856	$ 22,383,249	$ 1,158,158

The notes to the financial statements are an integral part of this statement

CITY OF LAFAYETTE
Balance Sheet-Governmental Funds
June 30, 2008

Statement 3

Other Governmental Funds	Total Governmental Funds
$ 3,579,449	$ 24,056,866
-	8,740,758
505,977	7,896,446
-	458,525
14,367	241,931
585,341	5,264,512
-	18,506
-	5,190,527
-	15,143
-	202,405
$ 4,685,134	$ 52,085,619
$ 182,600	$ 2,985,261
-	14,566
-	9,068,547
-	1,549,342
16,195	16,195
-	5,264,512
198,795	18,898,423
-	2,431,902
-	2,910,383
-	2,467,035
-	2,517,020
1,675,494	1,675,494
-	2,739,631
2,810,845	2,810,845
	1,177,621
-	250,000
-	168,950
-	4,679,171
-	305,000
-	9,054,144
4,486,339	33,187,196
$ 4,685,134	$ 52,085,619

Total fund balances per Governmental Funds Balance Sheet		$ 33,187,196
Capital assets expensed for "governmental fund" activities, but capitalized as fixed assets in the Statement of Net Assets less accumulated depreciation		77,573,616
Bond issuance costs, unamortized		358,560
Bonds Payable are reflected in the Statement of Net Assets as liabilities, while being recognized as proceeds for governmental purposes. That is financing revenue in the year received for "governmental fund" purposes.		(26,160,000)
Accrued interest and accrued compensated absences are recognized as liabilities in the Statement of Net Assets. For governmental purposes interest is recorded when due, not when incurred.		
Accrued interest payable	$ 542,372	
Accrued compensated absences	419,422	(961,794)
Total assets per Statement of Net Assets		$ 83,997,578

The notes to the financial statements are an integral part of this statement

CITY OF LAFAYETTE
Statement of Revenues, Expenditures, and
Changes in Fund Balances - All Governmental Funds
For the Year Ended June 30, 2008

Revenues	General Fund	Capital Project Funds	Redevelopment Fund	Debt Service Fund
Property tax and assessments	$ 3,168,299	$ -	$ 2,467,112	$ 1,058,655
Sales and use tax (including Measure C)	2,645,234	-	-	-
Transient lodging tax	615,415	-	-	-
Franchise tax	1,140,008	-	-	-
Real property transfer tax	215,548	-	-	-
Vehicle code fines	100,159	-	-	-
Interest income	1,181,772	151,854	429,978	686
Motor vehicle in lieu tax	1,949,901	-	-	-
Grants - federal	-	358,755	-	-
Grants - state and local	-	221,352	-	-
Planning, permits and engineering	985,375	-	-	-
Gas tax	-	-	-	-
Drainage impact fees	-	18,253	-	-
Park dedication fees	-	323,399	-	-
Walkway fees	-	500	-	-
Parking revenue and fees	-	-	-	-
Police	38,441	-	-	-
Abandoned vehicles	-	-	-	-
Other	119,738	668,398	8,790	-
Total	12,159,890	1,742,511	2,905,880	1,059,341
Expenditures				
City council, commissions, and community support	1,240,706	-	600,000	-
Police services	3,563,952	-	-	-
Public works	1,699,677	-	-	-
Planning and engineering	619,095	464,156	544,897	-
Administration	1,461,721	-	918,821	-
Improvements - capital projects	-	4,170,835	11,752,332	-
Debt service -				
Principal	-	-	105,000	330,000
Interest and charges	-	-	1,333,650	434,214
Rent and other expenses	228,461	-	-	5,500
Insurance and claims	69,871	-	-	-
Total expenditures	8,883,483	4,634,991	15,254,700	769,714
Excess (deficiency) of revenues over expenditures	3,276,407	(2,892,480)	(12,348,820)	289,627
Other financing sources				
Operating transfers - in	220,000	3,299,653	594,158	-
Operating transfers - out	(2,049,113)	(1,531,161)	(594,158)	-
Excess (deficiency) of revenues over expenditures, net of other financing sources	1,447,294	(1,123,988)	(12,348,820)	289,627
Beginning fund balance	14,187,592	6,380,639	18,999,982	868,531
Ending fund balance	$ 15,634,886	$ 5,256,651	$ 6,651,162	$ 1,158,158

The notes to the financial statements are an integral part of this statement

CITY OF LAFAYETTE
Statement of Revenues, Expenditures, and
Changes in Fund Balances - All Governmental Funds
For the Year Ended June 30, 2008

Statement 4

Other Governmental Funds	Total Governmental Funds
$ 606,182	$ 7,300,248
401,882	3,047,116
-	615,415
-	1,140,008
-	215,548
184,002	284,161
124,069	1,888,359
-	1,949,901
-	358,755
100,000	321,352
-	985,375
442,236	442,236
-	18,253
-	323,399
-	500
199,507	199,507
-	38,441
11,828	11,828
66,353	863,279
2,136,059	20,003,681
-	1,840,706
-	3,563,952
781,168	2,480,845
-	1,628,148
1,052,204	3,432,746
-	15,923,167
-	435,000
-	1,767,864
-	233,961
-	69,871
1,833,372	31,376,260
302,687	(11,372,579)
614,318	4,728,129
(533,697)	(4,708,129)
383,308	(11,352,579)
4,103,031	44,539,775
$ 4,486,339	$ 33,187,196

Amounts reported to governmental activities in the Statement of Activities are different because:		
Net change in fund balances - total governmental funds		$(11,352,579)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful life and reported as depreciation expense:		
Cost of capital assets	$ 15,976,402	
Depreciation expense	(3,009,772)	
		12,966,630
The issuance of long-term debt povides financial resources to governmental funds while principal repayments constitute the use of current financial resources of governmental funds:		
Principal reduction applied to liability		421,961
Increase in accrued compensated absences previously classified in long-term debt fund constitutes an expense		(66,832)
Decrease in accrued interest liability previously recognized as paid consitutes an expense		6,547
Subtotal		13,328,306
Total change in net assets per Statement of Activities		$ 1,975,727

The notes to the financial statements are an integral part of this statement

CITY OF LAFAYETTE
Statement of Net Assets
Business Fund Type
Recreation Programs
June 30, 2008

Statement 5

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 314,065
Accounts receivable	1,443
Accrued interest receivable	361
Prepaid expenses	13,953
Total assets	$ 329,822
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	$ 5,615
Refundable deposits	13,045
Deferred revenue	222,609
Total liabilities	241,269
NET ASSETS	
Unrestricted (deficit)	88,553
Total net assets	88,553
Total liabilities and net assets	$ 329,822

The accompanying notes are an integral part of these financial statements

CITY OF LAFAYETTE
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Business Fund Type-Recreation Programs
Budget and Actual
For the Year Ended June 30, 2008

Statement 6

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues				
Recreation fees	$ 1,057,862	$ 1,035,700	$ 960,928	$ (74,772)
Building rentals	35,000	44,000	63,996	19,996
Interest	3,000	3,000	2,370	(630)
Moraga reimbursement	16,000	16,000	5,504	(10,496)
Other	1,500	2,700	519	(2,181)
Total	1,113,362	1,101,400	1,033,317	(68,083)
Operating expenses				
Personnel services	486,121	485,006	491,091	(6,085)
Maintenance	17,660	19,000	2,696	16,304
Contractual services	420,000	380,000	428,795	(48,795)
Printing and supplies	104,300	104,300	51,127	53,173
Utilities	4,800	5,200	4,277	923
Rental expense	18,000	18,000	20,613	(2,613)
Other	4,250	4,632	1,802	2,830
Total	1,055,131	1,016,138	1,000,401	15,737
Operating income	58,231	85,262	32,916	(52,346)
Operating transfers - in	-	5,000	5,000	-
Operating transfers - out	-	(25,000)	(25,000)	-
Net income and operating transfers	58,231	65,262	12,916	(52,346)
Beginning retained earnings	75,637	75,637	75,637	-
Ending retained earnings	$ 133,868	$ 140,899	$ 88,553	$ (52,346)

The accompanying notes are an integral part of these financial statements.

City of Lafayette
Statement of Cash Flows
Business Fund Type
Recreation Programs
For the year ended June 30, 2008

Statement 7

Cash flows from operating activities	
Receipts from customers	$ 897,339
Receipts from Building rentals, net of expense	66,496
Receipts from Interest income	2,720
Other receipts and payments	519
Payments for contractual services	(428,795)
Payments for printing and supplies	(57,115)
Payments to employees	(491,091)
Payments for maintenance	(2,696)
Payments for utilities	(4,277)
Net cash used in operating activities	(16,900)
Cash flows from noncapital financing activities	
Net transfers to General Fund, net	(20,000)
Net decrease in cash deposits and investments	(36,900)
Cash deposits and investments at beginning of year	350,965
Cash deposits and investments at end of year	$ 314,065
Operating income (before operating transfers)	$ 32,916
Adjustments to reconcile net income to net cash provided by operating activities	
(Increase) decrease in assets	
Accounts receivable and accrued interest	4,107
Security deposit	2,500
Prepaid expenses	8,683
Increase (decrease) in liabilities	
Accounts payable	230
Refundable deposits and deferred revenue	(65,336)
Net cash used in operating activities	$ (16,900)

The accompanying notes are an integral part of these financial statements

CITY OF LAFAYETTE
Notes to Basic Financial Statements
June 30, 2008
Index

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1. A. Financial Reporting Entity

The financial statements of the City of Lafayette (the "City") include all the City's financial activities over which the City council exercises oversight responsibility. Oversight responsibility is determined on the basis of budget adoption, taxing authority, funding and appointment of the governing board (i.e., - all funds and entities for which the City council is financially accountable). As a result, the basic financial statements include the financial activities of the City as well as the City's Redevelopment Agency.

Financial statements for the Lafayette Community Center Foundation and the Lamorinda School Bus Transportation Agency are not included, as they are administered by boards separate from the City council. These entities determine their own budget, enter into contracts, have the legal right to sue and be sued, and acquire and dispose of property.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation i.e. The Lafayette Redevelopment Agency.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

Blended component unit - Redevelopment Agency

The Redevelopment Agency (the Agency) is a separate agency of the City of Lafayette (the City) that carries out the Redevelopment Plan of the City and is the only unit blended in the reporting activity types of the City's report.

The Redevelopment Plan sets forth a legal framework and a broad policy framework for the activities of the City. The primary purpose and objective of the Redevelopment Plan is to stimulate and encourage the revitalization of the Project Area, to eliminate conditions of blight and to prevent the recurrence of blighting conditions, which shall be accomplished subject to and consistent with the goals and policies established by the General Plan of the City. The Redevelopment Plan has been approved by the City of Lafayette Redevelopment Agency, pursuant to the California Community Redevelopment Law of the State of California, and applicable laws and ordinances.

The Redevelopment Fund includes separate accounting funds for low-income housing, library project and a debt service fund to track bond obligations. The Redevelopment Agency had a combined fund balance of $8,261,134 (see note 2.E.). Financing is accomplished by means of interfund loans from the General Fund of $4,679,171 (at 8% interest), a loan with an outstanding balance of $585,341 from another fund of the City being paid over a remaining period of 15 years with interest at 8%, and tax allocation bonds outstanding of $16,935,000. The fund balance will increase and the debt service will decrease in future periods from Redevelopment incremental tax allocation revenues. Pursuant to an agreement dated April 2006, the Agency transferred title of the Veteran's Building to Contra Costa County.

1. B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary (business type), and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The funds of the financial reporting entity are described below:

Governmental funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes. All Special Revenue Funds of the City are categorized as "Other Governmental Funds" since they do not meet the criteria individually as a major fund.

Capital Project Fund

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes only one combined Capital Project Fund and it is used to account for the acquisition of capital assets with transfers made from the General Fund and other fund sources.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the city. Ad valorem taxes are used for the payment of principal and interest.

Redevelopment Agency Fund

The Redevelopment Agency Fund (RDA) accounts for activities of the RDA as previously described.

Proprietary fund

Enterprise (Business Type) Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The City's only proprietary fund (business-type) is that of the "Recreation Programs."

Fiduciary funds (not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. There were no remaining Agency Funds at June 30, 2008.

Major and non-major funds

The funds are further classified as major or non-major as follows:

Fund	Brief Description
Major:	
General Fund	Primary operating Fund of the City
Capital Project Fund	Accounts for specific capital projects
Debt Service Fund	Accounts for resources for payment of interest and principal of long-term debt.
Redevelopment Agency Funds	Accounts for the Redevelopment Agency funding and projects
Non-major:	
All Special Revenue Funds:	Used to account for proceeds of specific sources that are restricted for expenditures for specific purposes, as follows:

- Parking programs
- Vehicle abatement
- Senior transportation
- Police services special fund
- Gasoline tax
- Measure C - Return-to-source
- Supplemental law enforcement
- Assessment District-Street Lighting
- Assessment District-Core Area Maintenance
- Assessment District-Storm Water Pollution

1. C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item 'b' below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary fund (business-type) utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds (when applicable) are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1. D. Assets, Liabilities, and Equity

Cash and investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all cash accounts, savings accounts, certificates of deposits of the City, and the investment in the State of California fund called the "Local Agency Investment Fund (LAIF)" which is available for immediate withdrawal. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Cash and investments in restricted assets are not considered cash equivalents.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2.C. and 3.A.

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds". Short-term interfund loans are reported as "interfund receivables and payables". In addition, there is a 20 year note (15 remaining) payable from the Redevelopment Agency to another governmental fund in the amount of $585,341 at June 30, 2008. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3.G. for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and ambulance fees. Business-type activities report sundry class receivables and interest earnings as receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets for which cost was not available.

Prior to July 1, 2001, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1968) have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Type	Useful Life (years)
Land, easements, and right of way	N/A
Land improvements	20
Building and improvements	50
Infrastructure	15 – 65
Equipment and furniture	3 – 15

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund (business-type) operations are accounted for the same as in the government-wide statements.

Restricted assets

Restricted assets include cash and investments of the debt service fund that are legally restricted as to their use, which is for the payment of long-term debt obligations. In addition, certain redevelopment assets are restricted for low/moderate income housing expenditures (see Note 3.H.). Certain capital project funds and special revenue funds are restricted by the sources for specific purposes such as gas tax, measure C (streets) and maintenance assessment districts.

Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for a proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as non-current debt in the government-wide statements.

Equity classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note 3.G. for additional disclosures.

1. E. Revenues, Expenditures, and Expenses

Property tax and assessments

State of California ("State") Constitution Article XIII provides for a maximum general property tax rate statewide of $1.00 per $100 of assessed value. Assessed value is calculated at 100% of market value as defined by Article XIII. The State Legislature has determined the method of distribution of receipts from the $1.00 levy among the counties, cities, school districts and other districts. Counties, cities and school districts may levy such additional tax rate as is necessary to provide for voter approved debt service.

However, because Lafayette was incorporated in 1968 as a no-property tax city, through fiscal year June 30, 1988, Lafayette received property tax distributions only for those geographical areas incorporated into the city limits after 1978, when Proposition XIII became law with its restrictions on funding. Thus, though Lafayette's property owners paid property taxes at the same rate as property owners in other cities, the City of Lafayette received a disproportionately smaller share of the distribution of receipts.

Pursuant to the 1988 Trial Court Funding Bill and subsequent reallocations, the City is receiving a measure of relief from this funding deficiency. Beginning in 1989, Lafayette began receiving funds in lieu of property taxes and/or additional property tax allocations. The receipt of these funds has been phased in gradually, and by 1997/1998 the City of Lafayette received the equivalent of approximately 7% of the total property taxes that its property owners pay. This can be compared to the average 14% allocation received by cities in Contra Costa County. The amount received is further reduced by a partial shift to fund schools.

The county uses the following calendar to assess properties, bill for, collect, and distribute property taxes.

	Secured	Unsecured
Valuation dates	March 1	March 1
Lien/levy dates	March 1	March 1
Due dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10 April 10	August 31

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed.

Sales tax

The State presently levies an 8.25% sales tax on taxable sales within the City of which 1% is allocated to the City. The sales tax is collected by the State and remitted to the City in the month following receipt. The State receives the sales tax approximately one to three months after collection by vendors. Sales taxes collected by the State in June and July (which represent sales for May and June) and received by the City in July and August have been accrued and are included under the caption "Accounts Receivable". The 8.25% sales tax also includes some "Measure C" funds which are allocated to the City pursuant to street/pavement needs as approved by the Contra Costa Transportation Authority (CCTA).

Other taxes

Other taxes as realized by the City include franchise taxes, transient occupancy taxes, motor vehicle in lieu tax and other fines and fees.

Operating revenues and expenses

Operating revenues and expenses for proprietary funds are those that result from providing services (recreation classes).

Expenditures / expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds—By Character:	Current (further classified by function) Debt Service Capital Outlay

Proprietary Fund—By Operating and Non-operating (if applicable)

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2. A. Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

Fund	Required By
Gas Tax Fund	State Law - included in "Other Governmental"
Parking Programs	Local Ordinance
Code Enforcement	Local Ordinance
Measure C	County Measure
Assessment Districts:	
Street Lighting	Local Ordinance
Core Area Maintenance	Local Ordinance
Storm Water Pollution	Local Ordinance

2. B. Deposits and Investments Laws and Regulations

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total deposits. The first $100,000 of each institution's deposits are covered by FDIC insurance.

The City may waive collateral requirements for deposits, which are insured by federal depository insurance. The City had not waived such requirements as of June 30, 2008.

2. C. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Gasoline Tax	Street Purposes
Measure C Tax (part of sales tax)	Street and Alley Purposes
Assessment Districts	Lighting, Core Area Maintenance, and Storm Water
Ad Valorem Tax Assessments	Debt Service
Supplemental Law Enforcement	Police

For the year ended June 30, 2008, the City complied, in all material respects, with these revenue restrictions.

2. D. Debt Restrictions and Covenants

General obligation debt

- Authority of Issuance

The General Obligation Bonds (G.O. Bonds) were issued to finance the repair and reconstruction of the City's roads and drains. The Bonds constitute a portion of the total authorized amount of $13,000,000 of general obligation bonds of the City duly authorized by at least two-thirds of the qualified voters of the City voting at an election on March 7, 1995. The City had previously issued $10,320,000 of bonds under this authorization. In the fiscal year ended June 30, 2004, the City issued an additional $6,035,000 of General Obligation Bonds of which $4,791,110 were placed in trust for the retirement of previously issued G.O. Bonds. The Bonds are issued pursuant to the provisions of Article 1 of Chapter 4 (commencing with Section 43600) of Division 4 of Title 4 of the Government Code of the State of California and other applicable laws, and pursuant to the Paying Agent Agreement dated as of February 1, 2002, by and between the City and Wells Fargo Bank, acting as paying agent, as authorized by the City Council by a resolution adopted on January 28, 2002. On July 15, 2005, $5,170,000, the remaining balance of the 1995 G.O. Bond issue was retired in full with interest due thereon of $152,293 and a call premium of $100,800.

The liability for the two issues of general obligation bonds was as follows at June 30, 2008:

	Original Issue	Total Outstanding	Due in Fiscal year June 30, 2008
2002 Issue	$ 4,320,000	$ 3,860,000	$ 110,000
2004 Issue	6,035,000	5,365,000	230,000
	$ 10,355,000	$ 9,255,000	$ 340,000

In order to provide sufficient funds for repayment of principal and interest when due on the General Obligation Bonds, the City is empowered and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the City, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to all other taxes levied upon property within the City. Such taxes, when collected will be placed in the Interest and Sinking Fund for the bonds authorized in the March 1995 election. Refer to note 3.F. for details on long-term debt.

- Assessed Valuation of Property Within the City

As required by State law, the City utilizes the services of the County for the assessment and collection of taxes for City purposes. City taxes are collected at the same time and on the same tax rolls as are County, school district, and other special district taxes. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code.

For Fiscal Year 2007-08, the City's total secured and unsecured assessed valuation is $5,374,447,394.

Other long-term debt- Redevelopment Fund debt

To help finance Redevelopment projects, on August 6, 2002 and on November 9, 2005, the Redevelopment Agency issued bonded indebtedness, which will be repaid using redevelopment tax increment. A principal payment of $100,000 was scheduled and made on August 1, 2007. A principal payment of $110,000 was made on August 1, 2008.

2. E. Fund Equity

Redevelopment Agency - Fund Equity

As noted in note 1.A., the Redevelopment Agency has funded much of its operations with loans from the General Fund. It has a net asset balance of $8,261,134. The Fund equity is calculated as follows:

Total Fund Balance (deficit) on a "Governmental Fund" basis	$ 6,651,162
Add fixed assets capitalized	18,532,232
Deduct accrued interest on debt payable	(345,820)
Record prepaid debt issuance costs, net of amortization	358,560
Debt Payable – long and short term	(16,935,000)
Net Assets - Redevelopment Fund	$ 8,261,134

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3. A. Cash and Investments

The City had the following cash and investments at June 30, 2008:

Cash and Cash Equivalents:		Moody Rating
Deposits in Banks	$ 1,102,083	N/A
Petty Cash	892	N/A
Local Agency Investment Fund - State of California	27,213,387	N/A
Total Cash and Cash Equivalents	28,316,362	
Investment in mutual funds	4,439,346	AAA
Investment in U.S. Treasury and Federal Agency obligations, at market value, Maturing August 2008 to March 2009, Par $ 5,812,000 (see listing which follows)	5,546,508	AAA
	9,985,854	
Total Cash and Investments	$ 38,302,216	

Reconciliation to financial statements:

Unrestricted:	
Cash and cash equivalents	$ 24,370,931
Investments in bonds and mutual funds	8,740,758
Unrestricted cash and investments	33,111,689
Restricted for debt service and low and moderate housing:	
Cash and investments	5,190,527
Total	$38,302,216

The City's investments with LAIF at June 30, 2008 include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend on one or more indices and/or that have embedded forwards or options.

Asset-backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

As of June 30, 2008, the City had $27,398,176 invested in LAIF, which had invested 11.12% of the pool investment fund in structured notes and asset-backed securities.

Investment in U.S. Treasury and Federal Agency Bonds and Obligations

Federal Agency	PAR	Coupon Percentage	Maturity Dates	June 30, 2008 Market Value	Moody's Rating
Fed Home Loan Bank	$ 2,000,000	5.125 - 5.250	8/8/2008 - 3/13/09	$ 2,019,060	AAA
FHLMCMTN	1,000,000	4.625	12/19/2008	1,009,060	AAA
FNMA Discount Note	2,512,000	discount	10/15/2008	2,494,165	AAA
Fund First Amer. Gov't	24,233		N/A	24,223	N/A
Total PFM Asset Management	$ 5,536,233			$ 5,546,508	

At June 30, 2008, the carrying amount of the City's deposits was $1,173,537. Bank balances before reconciling items were $1,619,740 (before deducting outstanding checks) at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed in the following.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to $100,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on a quarterly basis to the various funds based on average daily cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

The City maintains a cash deposit and investment pool that is available for use by all funds. It is not used for the retirement plan and the deferred compensation plan.

The City is authorized to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper with certain minimum ratings, certificates of deposit, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool (Local Agency Investment Fund).

The City is authorized by State statutes and in accordance with the City's Investment Policy (Policy) to invest in the following:

- Securities issued or guaranteed by the Federal Government or its agencies
- State Local Agency Investment Fund (LAIF)
- Insured and /or collateralized certificates of deposit

The Policy, in addition to State statutes, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The City's investments comply with the established policy.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Investments,* investments were stated at fair value using the aggregate method in all funds and component units, resulting in the following investment income:

Unrealized gain/(loss) in changes in fair value of investments	$	37,800
Interest income (all investments)		1,850,559
Total investment income	$	1,888,359

The City portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates have risen, the portfolio value will have declined. If interest rates have fallen, the portfolio value will rise.

In accordance with GASB Statement No. 31, the portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio's change in value. These portfolio value changes are unrealized unless sold. The City's policy is to buy and hold investments until their maturity dates.

3. B. Restricted Assets

The amounts reported as restricted assets are held for debt service payments and low/moderate housing (the Redevelopment Agency). The restricted assets are as follows (see note 3.H.):

	Debt Service	Low/moderate Housing Income	Total
Cash and equivalents	$ 1,273,744	$ 2,758,745	$ 4,032,489
Accrued interest	-	15,023	15,023
Eden loan receivable	-	202,405	202,405
Total restricted assets	$ 1,273,744	$ 2,976,173	$ 4,249,917

3. C. Accounts Receivable

The amount of accounts receivable for the business-type activities was $1,443 at June 30, 2008. Accounts receivable for the governmental activities consist of various taxes and fees dated June 30 and prior received subsequent to June 30, 2008. They include:

California State library grant (RDA)	$ 5,921,641
Department of Transportation (Federal/State)	691,794
Measure C	383,811
Sales tax	319,200
Transient occupancy tax	144,933
Gas tax	106,548
Franchise taxes	101,369
Property tax	60,223
Transfer tax	55,198
Vehicle code fines	43,228
Other	69,944
	$ 7,897,889

3. D. Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

Governmental Activities	Balance June 30, 2007	Additions	Capitalized Work in Progress	Transfer to Contra Costa County	Balance June 30, 2008
Capital Assets:					
Land, easements, and right of way:					
City	7,986,650	-	-	-	7,986,650
RDA	2,004,444	-	-	-	2,004,444
Land improvements	3,518,790	-	1,341,790	-	4,860,580
Building/improvements	1,232,292	-	-	-	1,232,292
Infrastructure	87,619,140	-	6,298,985	-	93,918,125
Equipment and furniture	1,302,190	90,292	-	-	1,392,482
Construction in progress					-
City	3,957,902	4,157,458	(7,640,775)	-	474,585
RDA	4,799,134	11,728,654	-	-	16,527,788
Total capital assets at cost	112,420,542	15,976,404	-	-	128,396,946
Accumulated depreciation:					
Land improvements	707,618	175,940	-	-	883,558
Building/improvements	425,906	18,871	-	-	444,777
Infrastructure	45,802,779	2,636,335	-	-	48,439,114
Equipment and furniture	877,255	178,626	-	-	1,055,881
Total accum. Depreciation	47,813,558	3,009,772	-	-	50,823,330
Total capital assets, net	64,606,984	12,966,632	-	-	77,573,616

Current Depreciation

Administration	$	8,717
Public Works		35,968
Infrastructure and related improvements		2,831,146
Police services		109,339
Planning & engineering		2,755
Park facilities		5,508
Parking property		16,339
Total depreciation	$	3,009,772

3. E. Library Loan Agreement

In May of 2008, the Lafayette Redevelopment Agency (the Agency) and the Lafayette Library and Learning Center Foundation (the Foundation) entered into an agreement whereby the Foundation agreed to loan the Agency $9,000,000 with interest to be paid at the rate of 6.25% per annum. Per the agreement, funds are to be used by the Agency to pay for the construction costs of the library project. The loan and accrued interest is to be paid in full by December 31, 2039 unless an alternative agreement is reached with the Foundation.

3. F. Long-Term Debt

The reporting entity's long-term debt is general obligation bond amounts totaling $9,225,000 and Redevelopment tax allocation bonds of $16,935,000 to be repaid from governmental activities (see note 2.D.).

A summary of fiscal year ended June 30, 2008 general long-term debt transactions as follows:

	Interest Rates	Balance June 30, 2007	Principal Retirement	Balance June 30, 2008
Redevelopment:				
Tax allocation bonds				
Bonds issued FY 2003				
Matures to FY 2033	2.25 – 5.3%	$ 5,360,000	$ 105,000	$ 5,255,000
Bonds issued FY 2005				
Matures to FY 2030	3.0 – 4.7%	11,680,000	-	11,680,000
General Obligation:				
Bonds Issued FY 2002				
Matures to FY 2026	3.5 – 5.0%	3,960,000	100,000	3,860,000
Bonds Issued FY 2004				
Matures to FY 2026	2.0 – 4.7%	5,595,000	230,000	5,365,000
Totals		$ 26,595,000	$ 435,000	$ 26,160,000

Bonds payable – current	$ 530,000
Bonds payable – noncurrent	25,630,000
	$ 26,160,000

The following is the debt service obligations to general obligation bonds issued in fiscal year 2003:

Payments due in fiscal years ending June 30;	General Obligation Bonds - Issued 2002		
	Principal	Interest	Total
2009	$ 110,000	$ 191,801	$ 301,801
2010	110,000	186,301	296,301
2011	115,000	180,676	295,676
2012	125,000	174,676	299,676
2013	130,000	168,301	298,301
2014-2018	735,000	737,838	1,472,838
2019-2023	950,000	531,328	1,481,328
2024-2026	1,585,000	139,016	1,724,016
	$ 3,860,000	$ 2,309,937	$ 6,169,937

The following are the debt service obligation related to general obligation bonds issued in fiscal year 2004:

Payments due in fiscal years ending June 30;	General Obligation Bonds - Issued 2004		
	Principal	Interest	Total
2009	230,000	231,413	$ 461,413
2010	245,000	223,638	468,638
2011	260,000	213,538	473,538
2012	265,000	202,176	467,176
2013	280,000	189,015	469,015
2014-2018	1,600,000	736,294	2,336,294
2019-2023	1,960,000	355,994	2,315,994
2024-2025	525,000	24,793	549,793
	$ 5,365,000	$ 2,176,861	$ 7,541,861

Payments due in fiscal years ending June 30;	Redevelopment Tax Allocation Bonds - Issued 2003		
	Principal	Interest	Total
2009	110,000	286,468	396,468
2010	115,000	281,824	396,824
2011	115,000	276,821	391,821
2012	125,000	271,388	396,388
2013	130,000	265,458	395,458
2014-2018	745,000	1,222,461	1,967,461
2019-2023	960,000	991,755	1,951,755
2024-2028	1,275,000	674,670	1,949,670
2029-2033	1,680,000	252,425	1,932,425
	$ 5,255,000	$ 4,523,270	$ 9,778,270

Payments due in fiscal years ending June 30;	Redevelopment Tax Allocation Bonds - Issued 2005		
	Principal	Interest	Total
2009	80,000	540,101	620,101
2010	195,000	535,781	730,781
2011	220,000	529,086	749,086
2012	220,000	521,661	741,661
2013	230,000	513,643	743,643
2014-2018	1,330,000	2,397,216	3,727,216
2019-2023	1,650,000	2,069,028	3,719,028
2024-2028	2,045,000	1,652,230	3,697,230
2029-2033	2,585,000	1,109,330	3,694,330
2034-2036	3,125,000	239,625	3,364,625
	$ 11,680,000	$ 10,107,701	$ 21,787,701

The following is a summary of interest and related fees expense incurred on the long-term debt for the year ended June 30, 2008:

	Paid	Incurred
General obligation bonds - 2002 issue	$ 197,051	194,760
General obligation bonds - 2004 issue	237,162	234,527
Redevelopment tax allocation bonds-2003 issue	290,610	288,991
Redevelopment tax allocation bonds-2005 issue	541,301	541,301
	$ 1,266,124	1,259,579

3. G. Interfund Transactions and Balances

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following transfers were made during the year:

Fund		Transfers In	Transfers Out
General Fund	$	220,000	2,049,113
Capital project funds		3,299,653	1,531,161
Redevelopment agency		594,158	594,158
Other governmental funds		614,318	533,697
Subtotal		4,728,129	4,708,129
Proprietary fund		-	20,000
	$	4,728,129	4,728,129

The Redevelopment Agency has borrowed $4,679,171 (at 8% per annum) from the General Fund, which is to be repaid out of future ad valorem revenues. In addition, the Redevelopment Fund has borrowed $585,341 from another City fund to be repaid over a 20 year period at 8% (15 years remaining), also to be paid out of future ad valorem revenues.

NOTE 4. OTHER NOTES

4. A. Employee Benefit Plans

Employee Retirement Contribution

Employees of the City as of July 1, 2004 shall be allowed to choose between two retirement plans as follows:

Tenure-Based Contribution System

The City shall make a contribution toward a retirement fund for each regular full-time employee. The contributions will be made based on the number of months of service from the date of regular employment between $215 and $515 per month. Contributions for part-time employees are based on a prorate share of the full-time contributions based on hours worked. This option is only available to employees hired before July 1, 2004.

Salary -Based Contribution System

The City shall make monthly contributions toward a retirement (401A) plan for each regular employee and part time regular employees working a minimum of 20 hours per week. The contribution on behalf of each participant should equal 10% of based earnings up to the maximum allowable by law. In addition, each participant is required to contribute 5% of earnings to the plan and the City has elected to match such contribution by the same percentage. Employees currently in the tenure based contribution system may choose to be placed on the Salary-Based at any time, however, once this option has been exercised, the employee may not revert back to the tenure based contribution system.

Employees are fully vested in the City's contributions (and interest allocated to the employee's account) after five years of continuous service by the employee, with the exception of those employees over 50 years old who are fully vested from the first month of employment.

The City purchases its insurance through the Municipal Pooling Authority of Northern California (MPA).

The City's total payroll in fiscal year 2008 was approximately $3,827,081. Contributions to the plans totaled $444,370 by the City and $141,889 by individuals during the year.

The following summarizes transactions in the Plan for the year ended June 30, 2008:

Defined contribution retirement plan:	
Balance June 30, 2007	$ 3,418,542
Contributions : Employer	444,370
Employee	141,889
Other	(4,671)
Disbursements, net	(123,254)
Earnings	(300,476)
Balance June 30, 2008	$ 3,576,400

Deferred compensation plan

All employees of the City are eligible to participate in a City sponsored deferred compensation plan (the "Plan"). The Plan provides for the deferral of a portion of the employees' compensation until retirement, termination, or certain other covered events. The funds are invested by the City on behalf of the employees through an administrator in various instruments including money market funds, bonds and others. The assets of the Plan, under Internal Revenue Code section 457, formerly were the property of the City until paid or made available to participants, subject only to the claims of the City's general creditors. However, based on a change in the income tax code dated August 1996, the assets are no longer those of the city but are in trust for the exclusive benefit of plan participants.

The following summarizes transactions in the Plan for the year ended June 30, 2008:

Deferred compensation plan:	
Balance June 30, 2007	$ 4,499,057
Contributions	331,018
Disbursements	(46,713)
Earnings	(395,634)
Balance June 30, 2008	$ 4,387,728

4. B. Risk Management

Insurance coverage

The City purchases its insurance through the Municipal Pooling Authority of Northern California (MPA). The following is a summary of coverage as of June 30, 2008:

	Participating Cities' Total Coverage	Deductible (City Portion)
All risk fire and property	$ 1,000,000,000	$ 5,000
Boiler and machinery	$ 25,000,000	$ 5,000
Liability	$ 24,000,000	$ 5,000
Auto-physical damage	$ 250,000	$ 2,000
Workers' compensation	$ 250,000,000	$ 0

The total coverage includes the City's deductible, the portion underwritten by MPA and the portion underwritten by other insurance companies.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4. C. Commitments and Contingencies

Claims involving the City of Lafayette

The City is defendant in lawsuits arising in the normal course of business. City management is of the opinion that the potential claims against the City not covered by insurance resulting from litigation are adequately provided for in the General Fund of the City.

Grant programs

The City participates in several federal and state grant programs. These programs have been audited when required by the City's independent accountants in accordance with the provisions of the federal Single Audit Act of 1984 as amended and applicable State requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

4. D. Subsequent Events – Redevelopment Agency of the City of Lafayette

Lafayette City Library

The Redevelopment Agency (the Agency) is in the process of constructing the Lafayette Library. In October 2008, the Agency issued $9.6 million dollars of tax allocation bonds in conjunction with funding this project.

4. E. New Accounting Pronouncements

In April 2004, GASB issued GASB No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* This Statement provides guidance on how to report OPEB plans that qualify as a trust or agency funds or as fiduciary component units of either a participating employer, a plan sponsor, a public employee retirement system (CalPERS, or other administering entity). The requirements for this statement are effective for fiscal periods beginning after December 15, 2006 provided GASB 45 is also implemented. The City will implement this standard in conjunction with GASB 45.

In July 2004, GASB issued GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* This Statement requires local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB are generally based on pay-as-you-go financing approaches. Current financial reporting practices fail to measure or recognize the cost of OPEB during the periods when employees render the services, or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The City will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009 (effective for "fiscal years beginning after December 31, 2007"). The City is in the process of determining the impact the implementation of the Statement will have on the government-wide statement of net assets and activities.

In November of 2006, GASB issued GASBS No. 49, *Accounting and Financial Reporting Pollution Remediation Obligations.* The City is required to implement the provisions of this Statement for the fiscal year ending June 30, 2009 (effective for "periods beginning after December 15, 2007"). This standard addresses current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution *prevention* or *control* obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as a landfill closure. This statement may have a material effect on the financial statements of the City

In May of 2007, GASB issued GASBS No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27.* The City is required to implement the provisions of this Statement for the fiscal year ending June 30, 2008 (effective for periods beginning after June 15, 2007). This Statement aligns more closely the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) be pension plans and by employers that provide pension benefits.

In June of 2007, GASB issued GASBS No. 51, *Accounting and Financial Reporting for Intangible Assets.* The City is required to implement the provisions of this Statement for the fiscal year ended June 30, 2010 (effective for periods beginning after June 15, 2009; for governments classified as phase 2 under GASBS No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ended after June 30, 1980). This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, patents, trademarks, and computer software. Intangible assets, and more specifically easements, are referred to in the description of capital assets in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* This reference has created questions as to whether and when intangible assets should be considered capital assets for financial reporting purposes. The implementation of the provisions of this standard may have a material effect on the financial statements of the City.

In November of 2007, GASB issued GASBS No. 52, *Land and Other Real Estate Held as Investments by Endowments.* The City is required to implement the provisions of this Statement for the fiscal year ending June 30, 2009 (effective for periods beginning after June 15, 2008). This Statement requires endowments to report their land and other real estate investments at fair value and governments to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. Endowments exist to invest resources for the purpose of generating income. Other entities that exist for similar purposes—pension and other postemployment benefit plans, external investment pools, and Internal Revenue Code Section 457 deferred compensation plans—however, report land and other real estate held as investments at their fair value. We do not expect this statement to have a material effect on the financial statements of the City.

In June of 2008, GASB issued GASBS No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This Statement requires governments to measure derivative instruments at fair value in their economic resources measurement focus financial statements. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, can also expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), forward contracts, and future contracts. The City is required to implement the provisions of the Statement for the fiscal year ending June 30, 2010 (effective for periods beginning after June 15, 2009), which should allow users of the financial statements to more fully understand the City's resources available to provide services. The City does not currently hold such instruments which would be classified as derivatives other than a small amount held through the State Investment Pool.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAFAYETTE
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2008

Exhibit 1

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property tax	$ 3,109,494	$ 3,369,533	$ 3,168,299	$ (201,234)
Sales and use tax	2,775,752	2,775,752	2,645,234	(130,518)
Transient lodging tax	550,000	550,000	615,415	65,415
Franchise tax	1,114,832	1,114,832	1,140,008	25,176
Real property transfer tax	332,716	298,663	215,548	(83,115)
Vehicle code fines	150,000	150,000	100,159	(49,841)
Interest income	637,788	637,788	1,181,772	543,984
Motor vehicle in lieu tax	1,720,500	1,720,500	1,949,901	229,401
Planning, permits and fees	996,000	996,000	985,375	(10,625)
Police services	50,000	50,000	38,441	(11,559)
Other	117,800	117,800	119,738	1,938
	11,554,882	11,780,868	12,159,890	379,022
Expenditures				
City council, commissions and community support				
City council	295,148	383,948	360,661	23,287
Commissions and committees	914,916	952,630	880,045	72,585
Police services	3,677,142	3,718,362	3,563,952	154,410
Public works				
Street maintenance	848,874	870,050	754,925	115,125
Traffic maintenance	337,432	337,861	301,103	36,758
Parks and walkway maintenance	332,107	372,809	350,478	22,331
Facilities maintenance	246,162	215,125	214,921	204
Emergency response	365,000	365,000	78,250	286,750
Planning and engineering				
Planning department	459,445	503,150	445,206	57,944
Engineering department	208,976	185,367	173,890	11,477
Administration				
City management	393,885	378,689	366,093	12,597
Legal services	320,000	320,000	287,898	32,102
City clerk	149,274	134,474	115,143	19,331
Finance and personnel	584,138	574,027	552,752	21,275
Technology services	145,563	154,259	139,835	14,424
Business registration fees	-	-	-	-
Rent and other expenses	122,708	253,535	228,461	25,074
Insurance - premiums and claims	122,000	122,000	69,871	52,129
	9,522,770	9,841,286	8,883,483	957,803
Excess of revenues over expenditures	2,032,112	1,939,582	3,276,407	1,336,825
Other financing sources				
Operating transfers - in	-	450,000	220,000	(230,000)
Operating transfers - out	(1,940,227)	(2,049,113)	(2,049,113)	-
Excess (deficiency)of revenues over expenditures and other financing sources	91,885	340,469	1,447,294	1,106,825
Beginning fund balance	14,187,592	14,187,592	14,187,592	-
Ending fund balance	$ 14,279,477	$ 14,528,061	$ 15,634,886	$ 1,106,825

The accompanying notes are an integral part of these financial statements.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LAFAYETTE
Redevelopment Agency
Combining Fund Balance Sheet
For the Year Ended June 30, 2008

Exhibit 2

	Capital Projects Funds			Debt Service Fund	Special Revenue Fund	
ASSETS	Redevelopment Program	Library Project	Total Capital Projects	Debt Service	Low/moderate Income Housing	Total Governmental Funds
Cash and equivalents	2,139,529	6,814,491	$ 8,954,020	-	-	$ 8,954,020
Investments	-	3,194,250	3,194,250	-	-	3,194,250
Redevelopment Interfund Balances	849,166	(849,166)	-	-	-	-
Accounts receivable	-	5,921,641	5,921,641	-	-	5,921,641
Accrued interest receivable	17,441	44,742	62,183	-	-	62,183
Other assets	-	1,238	1,238	-	-	1,238
Restricted assets for:						
Cash and investments	-	-	-	1,273,744	2,758,745	4,032,489
Accrued interest receivable	-	-	-	-	15,023	15,023
Eden loan receivable	-	-	-	-	202,405	202,405
Total assets	$ 3,006,136	$ 15,127,196	$ 18,133,332	$ 1,273,744	$ 2,976,173	$ 22,383,249
LIABILITIES AND FUND BALANCE						
Accounts payable and accrued liabilitie	$ 13,826	$ 1,319,412	$ 1,333,238	$ -	$ 65,790	$ 1,399,028
Loan payable - Lafayette Library and Learning Center Foundation	-	9,068,547	9,068,547	-	-	9,068,547
Advances from general fund	2,904,288	1,774,883	4,679,171	-	-	4,679,171
Loan payable parking fund	585,341	-	585,341	-	-	585,341
Total liabilities and other credits	3,503,455	12,162,842	15,666,297	-	65,790	15,732,087
Fund balances						
Restricted for:						
Debt service	-	-	-	1,273,744	-	1,273,744
Low/moderate income housing	-	-	-	-	2,910,383	2,910,383
Other	(497,319)	2,964,354	2,467,035	-	-	2,467,035
Unrestricted	-	-	-	-	-	-
Fund balance	(497,319)	2,964,354	2,467,035	1,273,744	2,910,383	6,651,162
Total liabilities and fund balanc	$ 3,006,136	$ 15,127,196	$ 18,133,332	$ 1,273,744	$ 2,976,173	$ 22,383,249

Exhibit 3

CITY OF LAFAYETTE
Redevelopment Agency
Combining Fund Statement of Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended June 30, 2008

	Capital Projects Funds			Debt Service Fund	Special Revenue Fund	
	General Projects	Library Project	Total Capital Projects	Debt Service	Low/moderate Income Housing	Total Governmental Funds
Revenues						
Tax increment revenue	$ 1,793,209	$ -	$ 1,793,209	$ -	$ 673,903	$ 2,467,112
Investment income	97,115	243,383	340,498	48,729	40,751	429,978
Other revenue	-	8,790	8,790	-	-	8,790
Total revenues	1,890,324	252,173	2,142,497	48,729	714,654	2,905,880
Expenditures						
Administrative costs	143,857	559,716	703,573	-	54,652	758,225
Asessment District bond principal	-	-	-	105,000	-	105,000
Planning and design	-	70,199	70,199	-	-	70,199
Improvement costs	-	11,752,332	11,752,332	-	-	11,752,332
Interest expense	280,767	220,973	501,740	831,910	-	1,333,650
Professional services	414,118	-	414,118	-	59,595	473,713
Community promotion	-	985	985	-	-	985
Subsidies	600,000	-	600,000	-	-	600,000
Loss on Veterans Hall	-	-	-	-	-	-
Other expenses	65,788	72,216	138,004	-	22,592	160,596
Total expenditures	1,504,530	- 12,676,421	14,180,951	936,910	136,839	15,254,700
Excess (deficiency) of revenues over expenditures	385,794	(12,424,248)	(12,038,454)	(888,181)	577,815	(12,348,820)
Other financing sources (uses):						
Operating transfers - in	-	-	-	594,158	-	594,158
Operating transfers - out	(594,158)	-	(594,158)	-	-	(594,158)
Total other financing sources (uses)	(594,158)	- -	(594,158)	594,158	-	-
Excess (deficiency) of revenues over expenditures, net of other financing sources	(208,364)	(12,424,248)	(12,632,612)	(294,023)	577,815	(12,348,820)
Beginning fund balance	(288,955)	15,388,602	15,099,647	1,567,767	2,332,568	18,999,982
Ending fund balance	$ (497,319)	$ 2,964,354	$ 2,467,035	$ 1,273,744	$ 2,910,383	$ 6,651,162

THE CITY OF LAFAYETTE
Capital Projects
Combining Funds Balance Sheet
June 30, 2008

Exhibit 4

ASSETS	Park Facilities	Walkways and Bikeways	Streets and Signals	Storm Drains	Public Facilities	City Office	Road and Drain Improvement Fund	Total Capital Project Funds
Cash and investments	$ 719,503	$ 193,792	$ 1,066,521	$ 141,804	$ 262,299	$ 1,990,731	$ (8,696)	$ 4,365,954
Accounts receivable	-	-	691,794	-	-	19,160	-	710,954
Accrued interest receivable	4,434	34	8	262	603	14,386	8,696	28,423
Notes receivable	-	-	-	-	-	458,525	-	458,525
Total assets	$ 723,937	$ 193,826	$ 1,758,323	$ 142,066	$ 262,902	$ 2,482,802	$ -	$ 5,563,856
LIABILITIES AND FUND BALANCE								
Accounts payable and accrued liabilities	$ 2,555	-	$ 298,265	$ -	$ 6,073	$ -	$ -	$ 306,893
Deferred Revenue	-	-	-	-	-	-	-	-
Project deposits	-	-	312	-	-	-	-	312
Total liabilities	2,555	-	298,577	-	6,073	-	-	307,205
Fund Balance								
Restricted by source	721,382	193,826	1,459,746	142,066	-	-	-	2,517,020
Designated	-	-	-	-	256,829	2,482,802	-	2,739,631
Total fund balance	721,382	193,826	1,459,746	142,066	256,829	2,482,802	-	5,256,651
Total liabilities and net assets	$ 723,937	$ 193,826	$ 1,758,323	$ 142,066	$ 262,902	$ 2,482,802	$ -	$ 5,563,856

Exhibit 5

THE CITY OF LAFAYETTE
Capital Projects
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2008

	Park Facilities	Walkways and Bikeways	Streets and Signals	Storm Drains	Public Facilities	City Office	Road and Drain Improvement Fund	Total Capital Project Funds
Revenues								
Interest income	$ 25,247	$ 195	$ 2,782	$ 348	$ 936	$ 61,408	$ 60,938	$ 151,854
Grants - federal	-	-	-	-	-	-	-	-
Grants - state and local	-	-	580,107	-	-	-	-	580,107
Drainage Impact fees	-	-	-	18,253	-	-	-	18,253
Walkways fees	-	500	-	-	-	-	-	500
Park dedication fees	323,399	-	-	-	-	-	-	323,399
Other revenues and donations	5,500	-	662,898	-	-	-	-	668,398
Total revenues	354,146	695	1,245,787	18,601	936	61,408	60,938	1,742,511
Expenditures								
Capital projects	596,672	-	3,566,142	-	8,021	-	-	4,170,835
Administration	36,113	-	428,043	-	-	-	-	464,156
Total expenditures	632,785	-	3,994,185	-	8,021	-	-	4,634,991
Excess (deficiency) of revenues over expenditures	(278,639)	695	(2,748,398)	18,601	(7,085)	61,408	60,938	(2,892,480)
Other financing sources:								
General obligations bonds issued	-	-	-	-	-	-	-	
Operating transfers - in	38,141	-	3,246,512	-	15,000	-	-	3,299,653
Operating transfers - out	-	-	-	-	-	-	(1,531,161)	(1,531,161)
Excess (deficiency) of revenues over expenditures, net of other financing sources	(240,498)	695	498,114	18,601	7,915	61,408	(1,470,223)	(1,123,988)
Beginning fund balance	961,880	193,131	961,632	123,465	248,914	2,421,394	1,470,223	6,380,639
Ending net fund balance	$ 721,382	$ 193,826	$ 1,459,746	$ 142,066	$ 256,829	$ 2,482,802	$ -	$ 5,256,651

CITY OF LAFAYETTE
Other Governmental
Combining Funds Balance Sheet
As of June 30, 2008

Exhibit 6

ASSETS	Parking Programs	Vehicle Abatement	Senior Transportation	Police Services Special Fund	Gas Tax	Measure C Return to Source	Supplemental Law Enforcement	Assessment Districts: Street Lighting	Assessment Districts: Core Area Maintenance	Assessment Districts: Stormwater Pollution	Total Other Governmental Funds
Cash deposits and investments	$2,185,629	$ 2,509	$ 47,180	$ 43,964	$287,841	$ 9,502	$ 4,284	$110,920	$ 524,243	$ 363,377	$ 3,579,449
Accounts receivable	12,205	3,017	396	-	106,548	383,811	-	-	-	-	505,977
Note receivable	585,341	-	-	-	-	-	-	-	-	-	585,341
Accrued interest receivable	10,884	2	-	-	1,303	-	8	19	2,094	57	14,367
Total assets	$2,794,059	$ 5,528	$ 47,576	$ 43,964	$395,692	$ 393,313	$ 4,292	$110,939	$ 526,337	$ 363,434	$ 4,685,134
LIABILITIES AND FUND BALANCE											
Liabilities											
Accounts payable and accrued liabilities	$ 63,238	$ 119	$ 730	$ -	$ -	34,500	$ -	$ 946	$ 59,713	$ 23,354	$ 182,600
Deferred Revenue	-	-	-	16,195	-	-	-	-	-	-	16,195
Total liabilities	63,238	119	730	16,195	-	34,500	-	946	59,713	23,354	198,795
Fund Balance											
Restricted	-	-	-	-	395,692	358,813	4,292	109,993	466,624	340,080	1,675,494
Designated	2,730,821	5,409	46,846	27,769	-	-	-	-	-	-	2,810,845
Total fund balance	2,730,821	5,409	46,846	27,769	395,692	358,813	4,292	109,993	466,624	340,080	4,486,339
Total liabilities and fund balance	$2,794,059	$ 5,528	$ 47,576	$ 43,964	$395,692	$ 393,313	$ 4,292	$110,939	$ 526,337	$ 363,434	$ 4,685,134

CITY OF LAFAYETTE
Other Governmental
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
As of the Year Ended June 30, 2008

Exhibit 7

	Parking Programs	Vehicle Abatement	Senior Transportation	Police Services Special Fund	Gas Tax	Measure C Return To Source	Supplemental Law Enforcement	Assessment Districts			Total Other Governmental Funds
								Street Lighting	Core Area Maintenance	Stormwater Pollution	
Revenues											
Parking revenue	$ 199,507	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 199,507
Vehicle code fines	184,002	-	-	-	-	-	-	-	-	-	184,002
Property tax and assessments	-	-	-	-	-	-	-	18,819	234,541	352,822	606,182
Interest income	109,835	19	-	88	7,417	12	99	109	6,163	327	124,069
Gas tax	-	-	-	-	442,236	-	-	-	-	-	442,236
Sales tax - Measure C	-	-	-	-	-	401,882	-	-	-	-	401,882
Abandoned vehicles	-	11,828	-	-	-	-	-	-	-	-	11,828
Grants - state	-	-	-	-	-	-	100,000	-	-	-	100,000
Other revenue	-	-	43,172	-	-	-	-	-	23,181	-	66,353
Total revenues	493,344	11,847	43,172	88	449,653	401,894	100,099	18,928	263,885	353,149	2,136,059
Expenditures											
Public works	-	-	-	-	-	-	-	13,655	379,767	387,746	781,168
Administration	478,729	43,679	55,064	-	-	92,914	381,818	-	-	-	1,052,204
Total expenditures	478,729	43,679	55,064	-	-	92,914	381,818	13,655	379,767	387,746	1,833,372
Excess (deficiency) of revenues over expenditures	14,615	(31,832)	(11,892)	88	449,653	308,980	(281,719)	5,273	(115,882)	(34,597)	302,687
Other financing sources											
Operating transfers - in	-	32,500	25,000	-	-	-	281,818	-	275,000	-	614,318
Operating transfers - out	-	-	-	-	(533,697)	-	-	-	-	-	(533,697)
Excess (deficiency) of revenues over expenditures, net of other financing sources	14,615	668	13,108	88	(84,044)	308,980	99	5,273	159,118	(34,597)	383,308
Beginning fund balance	2,716,206	4,741	33,738	27,681	479,736	49,833	4,193	104,720	307,506	374,677	4,103,031
Ending fund balance	$ 2,730,821	$ 5,409	$ 46,846	$ 27,769	$ 395,692	$ 358,813	$ 4,292	$ 109,993	$ 466,624	$ 340,080	$ 4,486,339